

FISCAL NOTE

SB 2690

January 23, 2008

SUMMARY OF BILL: Creates a state sales tax exemption for all sales and services related to installation of qualified solar water heating equipment, qualified photovoltaic equipment, qualified wind generators, and qualified backup systems, effective July 1, 2008.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Less than \$78,000

Foregone State Revenue – Exceeds \$140,000

Assumptions:

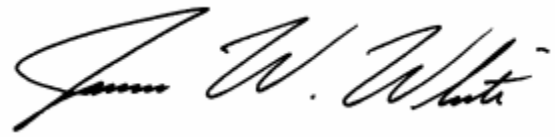
- Purchasers of the identified equipment must be enrolled in the Tennessee Valley Authority Generation Partners (TVA-GP) program in order to be eligible for the state sales tax exemption proposed in this legislation.
- From information provided by TVA in 2006, taxable sales of qualified equipment for which purchasers were enrolled in the TVA-GP program, were estimated to be less than \$1.0 million per year.
- 5% annual growth of sales since 2006.
- Gross sales (adjusted for growth) are estimated to be less than \$1,103,000 for FY08-09.
- The exclusion of solar water heating equipment used for the heating or pre-heating of swimming pools is assumed to also apply to hot tubs, spas, etc.
- The current state sales tax rate is 7.00%.
- The decrease of state sales tax revenue is estimated to be less than \$78,000 (\$1,103,000 taxable sales x 7.00% state sales tax rate = \$77,210) per year.
- This bill does not exempt qualified equipment purchases from local option sales tax.
- Demand for photovoltaic (PV) and wind generator systems, for which purchasers would be enrolled in the TVA-GP program, is estimated to increase significantly if this bill passes.
- Future sales of PV equipment and wind generators are estimated to exceed \$2.0 million per year.

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- Foregone state revenue is estimated to exceed \$140,000 (\$2.0 million taxable sales x 7.00% state sales tax rate = \$140,000) per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc